



## Combating fraud and abuse

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Detecting and eliminating fraud and abuse of the workers' compensation system is one of Labor and Industries' five high-priority projects. The agency is focusing heavily on uncovering fraudulent workers' compensation claims, as well as employers and providers who cheat. Our goal is to level the playing field for those who play by the rules and to save money for the entire workers' compensation system.

### Why has L&I undertaken this project?

A cross-section of our customers believes fraud is a significant problem in the state's workers' compensation system. Employers who play by the rules rightly believe they are at a competitive disadvantage against a company that underpays or doesn't pay insurance premiums. There is concern about fraudulent claims and the accuracy of billing by some providers of health care. To ensure that premiums are paid and that money is spent properly, detecting and eliminating fraud is one of the agency's highest priorities.

### Where will the department concentrate its efforts?

There are seven common types of fraud and abuse.

- Employers who don't pay or underpay insurance premiums.
- Workers who file false claims.
- Health-care providers who overcharge or charge for work they did not do.
- Workers who collect wage-replacement benefits while employed at another job.
- Employers who don't pay workers what they are owed.
- Workers who falsify their condition to extend a claim.
- Contractors who aren't registered.

### What is L&I doing to prevent fraud and abuse?

The 2004 Legislature authorized an additional \$800,000 to expand the L&I fraud staff and removed some significant legal hurdles that will make it easier to prosecute fraud and abuse. This year, we will:

- Dramatically increase the number of validity checks we conduct to ensure that injured-worker claims are legitimate.
- Install a computerized system to detect billing irregularities.
- Increase our use of records from other state and federal agencies to detect injured workers who are working while collecting time-loss, and employers who aren't accurately paying premiums.
- Suspend the registration of contractors who owe back insurance premiums and refuse to pay.
- Where appropriate, seek criminal convictions for those who knowingly cheat the workers' compensation system.
- Seize the assets of companies and individuals who refuse to pay premiums or who operate as an unregistered contractor.
- Take full advantage of added legal authority given L&I to pursue employers who attempt to avoid industrial insurance premiums by transferring the assets of a business to another owner.

### How will L&I assist employers in following the rules?

The legislation passed in March directs us to help employers better understand their obligations to the workers' compensation system, and how changes in the law will impact them. Toward that end, L&I's outreach efforts include:

1. A mass mailing to contractors and trade organizations that explains the changes in prime contractor liability, successorship and corporate officer liability for industrial insurance premiums.
2. The changes involving prime contractor liability, successorship and corporate officer liability will be incorporated into the curriculum at three Contractor Training Days being held by L&I.
3. Educational information will be included in the July quarterly billing statements sent to the state's 155,000 employers.
4. The changes in the law will be the subject of articles sent to trade publications and included in the next quarterly issue of *Employer News*.

### Who at L&I is overseeing this effort?

The agency has established worker, employer and provider fraud teams. Each of the teams includes experts in collections, fraud investigations and auditing. Goals have been established, and the Legislature has directed L&I to issue quarterly reports on the progress.

### Can L&I do this alone?

While much of this effort involves establishing systems at L&I to better track claims, the payment of premiums and billing irregularities, L&I continues to rely on the public to notify the department of fraud. Reports can be called in to L&I's Report-a-Fraud Hotline at 1-888-811-5974, or sent in via e-mail to [Fraud@LNI.wa.gov](mailto:Fraud@LNI.wa.gov).

### Does this mean that L&I hasn't been pursuing fraud?

No. Each year, we send a fraud report to the Legislature, showing that we have made steady progress in detecting fraud and abuse of the workers' compensation system and pursuing repayment. We have sent a health-care provider to jail for billing us for services not performed. With support from local prosecutors, recently we won fraud convictions against numerous workers and beneficiaries who were collecting benefits they weren't entitled to. We also have suspended the registrations of construction contractors who owed premiums and refused to enter into repayment agreements.

However, much of that work was after the fact, and we have found it sometimes difficult to recover money owed to the State Fund. The emphasis of this project is to change our internal systems so that billing irregularities are caught before the bills are ever paid and questionable claims are scrutinized from the very beginning. The revisions in the laws will make it easier for us to collect money owed to the State Fund and prosecute fraud when it does occur.

### Where can I learn more about L&I's efforts to combat fraud?

Contact Carl Hammersburg, manager of L&I's Anti-Fraud and Abuse Program, at 360-902-6536 or [hamc235@LNI.wa.gov](mailto:hamc235@LNI.wa.gov).

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### FIVE HIGH-PRIORITY PROJECTS

Combating fraud and abuse is one of L&I's five high-priority projects. The others are providing return-to-work assistance, increasing early employer contact, improving claims management, and preventing work-related injuries. The goal is to provide high-quality customer service and eliminate unnecessary delays that affect workers' wages and employers' insurance costs.